

CHAPTER 5. INVESTMENTS

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CHAPTER 5. INVESTMENTS**5.1 OVERVIEW.**

- 5.1.1 This chapter prescribes the accounting requirements for recording and reporting investment transactions. Investments represent the value of securities with the U.S. Treasury.

5.2 POLICY.

- 5.2.1 NASA invests in market-based Government accounting series bonds and bills issued by the U.S. Treasury. Treasury issues bills at a discount with a maturity date of 6 months or less from the date of issue. Treasury issues bonds at a discount or premium. Bonds carry a stated rate of interest, payable semiannually. Market-based bonds mature in more than 10 years. In accordance with Treasury Financial Manual (TFM) 2-4300, NASA may not invest funds before the funds are deposited, collected, and considered available to Treasury. NASA invests in two of its trust funds. The National Aeronautics and Space Administration, Endeavor Teacher Fellowship Trust contains funds that are invested in Treasury bills and those in the Science, Space, and Technology Education Trust Fund are invested in Treasury bonds and bills.
- 5.2.2 NASA is required to record and report investment transactions in accordance with the directives prescribed in the Statement of Federal Financial Accounting Standard (SFFAS) No. 1, TFM 2-4300, Office of Management and Budget (OMB) Circulars No. A-11 and A-136. Investments should be recognized at their acquisition cost. If the acquisition cost differs from the face (par) value, the security should be recorded at the acquisition cost, which equals the security's face value plus or minus the premium or discount on the investment. Subsequent to their acquisition, investments in U.S. Treasury securities should be carried at their acquisition cost, adjusted for amortization of the discount or premium as applicable. Premiums and discounts should be amortized over the life of the Treasury bonds using the interest method and Treasury bills using the straight-line method.
- 5.2.3 NASA must use separate receipt accounts to distinguish between the different types of activities (investments, redemptions, and unrealized discounts) and use a point account with the 4-digit appropriation fund or receipt account Treasury Account Symbol (TAS) to classify realized earnings as receipts. Interest receivable shall be recognized as it is earned on investments in interest-bearing securities.
- 5.2.4 NASA investments in U.S. securities (securities issued by the U.S. Treasury and Federal agencies) are intragovernmental investments and should be accounted for and reported separately from investments in securities issued by non-Federal entities. NASA must use the Intragovernmental Fiduciary Confirmation System to reconcile and confirm investment balances and activity with Treasury's Bureau of Public Debt (BPD) on a quarterly basis.

- 5.2.5 The components of investments including the market value of the investments should be disclosed in notes to the financial statements, in accordance with the reporting requirements detailed in OMB Circular A-136. NASA is also required to include investment balances in budget reports and schedules. The BPD reports NASA's investment transactions affecting the Fund Balance with Treasury (investment, redemption, and interest received) on their Statement of Transactions (FMS 224) using the NASA TAS.

5.3 AUTHORITIES AND REFERENCES.

- 5.3.1 National Aeronautics and Space Administration Endeavor Teacher Fellowship Trust Fund (42 U.S.C. § 2467a)
- 5.3.2 National Aeronautics and Space Administration Science, Space, and Technology Education Trust Fund (42 U.S.C. § 2467). 42 U.S.C. § 2467 requires that appropriated funds are invested, that interest earned is made available for grants improving science, space, and technology education, and that \$250,000 of the interest earned is disbursed quarterly to the Challenger Center for Space Science Education.
- 5.3.3 Office of Management and Budget (OMB) Circular No. A-11, Preparation, Submission and Execution of the Budget. OMB Circular No. A-11 provides requirements for recording and reporting Federal investments on budget schedules.
- 5.3.4 OMB Circular No. A-136, Financial Reporting Requirements. OMB Circular No. A-136 provides financial statement reporting and Note disclosure requirements.
- 5.3.5 Statement of Federal Financial Accounting Standard (SFFAS) No.1, Accounting for Selected Assets and Liabilities. Provides guidance on investments in U.S. Treasury Securities. SFFAS states the requirement to report Federal investments separate from non-Federal investment and the requirement to use the interest method of premium and discount amortization.
- 5.3.6 Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4300, Reporting Instructions for Accounts Invested in the Department of the Treasury Securities. TFM 2-4300 provides guidance on reporting and recording investment transactions.
- 5.3.7 Treasury Financial Manual, Volume 1, Bulletin 2007-03, Intragovernmental Business Rules
- 5.3.8 Trust Fund Accounting Guide, "United States Standard General Ledger"

5.4 ROLES AND RESPONSIBILITIES.

- 5.4.1 NASA Agency Chief Financial Officer (CFO)/ Deputy CFO. NASA Agency CFO and DCFO are responsible for investing funds; recording, reporting, and

reconciling investment transactions; and monitoring the Statement of Transactions prepared by Treasury's Bureau of Public Debt.

- 5.4.2 NASA Regional Finance Office/Goddard Space Flight Center CFO. NASA Regional Finance Office/Goddard Space Flight Center CFO is responsible for disbursing interest received on investments as required by 42 U.S.C. § 2467.

5.5 DEFINITIONS.

- 5.5.1 Accrued Interest. This is interest earned on a security instrument that has not been paid or received.
- 5.5.2 Discount. The discount is the difference between the price and the par value when less than par value is paid or received for a security.
- 5.5.3 Earned Interest Realized. The earned interest is interest earned and paid on a security instrument.
- 5.5.4 Interest Method. The method used to determine the amount of amortization of discount or premium. The amount amortized is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated in the U.S. Treasury security. The effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount or premium).
- 5.5.5 Intragovernmental Fiduciary Confirmation System (IFCS). An internet-based application for confirming and reconciling fiduciary balances (quarterly and year-end). Federal agencies and departments that engage in fiduciary intragovernmental transactions utilize IFCS as the official confirmation system. Agencies and departments must use the IFCS to confirm and reconcile activity and balances activity for investments, borrowings, FECA transactions, and employee benefits transactions.
- 5.5.6 Market-based U.S. Treasury Securities. Debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable U.S. Treasury securities.
- 5.5.7 National Aeronautics and Space Administration Endeavor Teacher Fellowship Trust Fund. The Trust Fund, established in tribute to the crew of the Space Shuttle Challenger, consists of gifts and donations. Other amounts may also be transferred from the National Aeronautics and Space Administration Gifts and Donations Trust Fund. The Trust Fund may be invested and re-invested in public debt securities with maturities suitable for the needs of the Trust Fund. Interest earned shall be credited to the Trust Fund. Income accruing from the Trust Fund principal shall be used to create the National Aeronautics and Space Administration Endeavor Teacher Fellowship Program. NASA is authorized to use such funds to award

fellowships to selected United States nationals who are undergraduate students pursuing a course of study leading to certified teaching degrees in elementary education or in secondary education in mathematics, science, or technology disciplines.

- 5.5.8 Par Value. Par value represents the stated or face amount of a security.
- 5.5.9 Premium. The premium is the difference between the price and the par value when more than par value is paid or received for a security.
- 5.5.10 Price. This represents the real price for a security as of noon on the day of the investment or redemption.
- 5.5.11 Principal. Principal represents the stated or face amount of a security.
- 5.5.12 Purchase of Accrued Interest. The purchase of accrued interest represents the amount of interest purchased when a security is purchased between interest payment dates.
- 5.5.13 Science, Space, and Technology Education Trust Fund. This Trust Fund was established to make grants for programs directed at improving science, space, and technology education in the United States. Appropriated funds shall be invested in U.S. Treasury securities with interest credited to the Trust Fund on a quarterly basis. That interest shall be available for the purpose of making grants. Of the funds made available by this Trust Fund, \$250,000 shall be disbursed each calendar quarter hereafter to the Challenger Center for Space Science Education.
- 5.5.14 Subclass. A subclass is a prefix used to classify transactions in expenditure accounts.
- 5.5.15 U.S. Treasury Direct FedInvest Application. FedInvest is a Federal Investment Program application designed and developed by the Bureau of the Public Debt for use by Federal agencies that have investment authority in Government Account Series Securities. FedInvest is a useful tool that allows Federal agency Fund Managers to manage their portfolios by allowing them to buy and sell securities, view account holdings and transactions, and view various reports and download data.
- 5.5.16 Unrealized Discount. The unrealized discount is the value of the discount carried until a security is redeemed or matures.